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The Director of Central Intelligence

Washington, D.C. 20505

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National Intelligence Council

21 November 1983

MEMORANDUM FOR : The Vice President

THROUGH : Director of Central Intelligence

FROM : David D. Gries  
National Intelligence Officer for East Asia

SUBJECT : Implementation of Initiatives Taken During  
the President's Japan Trip

At last Thursday's SIG on Japan you advised that the President had asked you to coordinate follow-up to his trip and take whatever new initiatives seemed appropriate. You also asked for suggestions on how to define and structure your coordinating role.

Goals. Coordination at your level has never been tried before and the Japanese know it.

- The minimum goal of underscoring US seriousness has been attained in your being designated by the President and accepted by Nakasone. But this achievement can boomerang if initiatives taken on the President's trip are not implemented or if expectations are raised too high. There is also the danger that some of the media will portray you as poaching on territory -- relations with a foreign government -- usually managed chiefly by State. Finally, it should be noted that nothing achieved in the next six months or so is likely to prevent the trade deficit with Japan from rising in 1984.
- The maximum goal is to move beyond the President's initiatives by using some of the suggestions the Cabinet departments were asked to submit to you. You could also strive for Japanese agreement on a set of overarching principles (see Agenda below).

Agenda. The scope must be carefully limited.

- Since the focus not only of the President's discussions in Japan but also of political pressures on Washington is on the economic and trade relationship, the agenda can exclude security and defense issues. These are well covered through other mechanisms. This will permit you to focus on whether Japan is stretching free trade precepts and violating GATT on economic and trade issues.

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- Nothing should be included in the agenda that is not achievable. This means that Cabinet officers in their submissions to you must carefully separate the realistic from the wishful. Some possible agenda items:
  - Additional modest measures can be tabled under the subject of yen internationalization.
  - Further steps toward capital market liberalization are possible.
  - Under the heading of market access further progress may be possible on high technology and depressed industries trade. Since new citrus and beef quotas are expected to be announced in the Spring, they too can be included.
- Some possible overarching principles include:
  - Further liberalization of Japanese capital markets and internationalization of the yen by 198 (?).
  - Removal of most remaining agricultural quotas by 198 (?).
- The Japanese should also be asked to propose agenda items of interest to them.

Timing. Given Japanese preoccupation with a probable 18 December election and late December Cabinet reorganization, it would probably be best not to say anything publicly until January. On the other hand, a description of how the US hopes to proceed regarding agenda, timing, structure and membership should be communicated privately to Nakasone by Presidential letter as soon as possible.

- Secretary Regan already plans to meet his counterpart in February to monitor progress on financial initiatives taken on the Japan trip. After the President's letter to Nakasone has been delivered, other Cabinet officers might also ask for February meetings with counterparts to monitor progress on market access issues.
- The Vice President should only be involved in a single meeting with the Japanese designated as counterpart; secretaries and ministers from appropriate departments on both sides should also attend. (See Membership below.) This action-forcing meeting could be held in April --in Hawaii?-- as a prelude to the seven-power economic summit scheduled for June. Your meeting will place a seal of approval on what has been accomplished, including implementation of initiatives taken on the President's trip and of subsequent new initiatives. Thus the meeting is intended to end the process which you are now launching and which Cabinet officials on both sides will be filling in meanwhile.

Structure. This process requires very little structure. Since only one meeting with the Japanese is contemplated beyond the meetings involving individual Cabinet officers described above, the Cabinet departments on the US

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side should make use of existing channels to negotiate agenda items conveyed to Nakasone in the President's letter.

- Coordination on the American side can be undertaken under the umbrella of the SIG IEP. This avoids creation of new bureaucracy. You (or your representative, Don Gregg) are already an ex officio member of the SIG IEP. No additional staff should be required, since individual Cabinet departments will do their own negotiating directly with the Japanese, subject to your overview and coordination.

Membership. Don Gregg could be identified to Cabinet officers as your representative at SIG/IEP meetings with responsibility for details of agenda, timing, structure and membership.

- On the US side, Secretaries Shultz, Regan, Baldrige, Block, and Hodel and Ambassador Brock should attend the April meeting, as should Assistant to the President MacFarlane. The Japanese side should consist of counterparts.
- Since the SIG IEP will be the implementing mechanism on the US side, no additional interagency participation is needed. This will promote efficiency and might even inhibit public discussion in the press.

Japanese Reaction. The Japanese were surprised by the proposal to involve the Vice President in follow up --it is a new idea-- and have politely complained about two aspects: first, they were not given as much advance warning nor as complete an explanation as they like to have; and second, there is no exact counterpart to the Vice President in their system. They have also renewed their long standing complaint that US Cabinet departments sometimes negotiate without prior coordination with other US organizations, leaving priorities uncertain.

The President's letter to Nakasone should address these concerns. The letter, as noted above, will spell out details of the proposal. Regarding a counterpart, the letter should note that the Japanese system lacks a vice president, but has other suitably senior elected officials. The Vice President, we should say, has been given a coordinating role, in part to assure that priorities are established and that the complexities of coordination on the US side will be better handled.

One final point may be made. Your April meeting must do more than endorse Japanese concessions. The US must also respond in some fashion to Japanese complaints about deficits, interest rates and the unitary tax. Such a balanced agreement --with something for both the US and Japan-- will serve the political interests of both sides.

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David D. Gries